

Agenda Date: April 26, 2006
Item Numbers: B3 and B4

Dockets: TS-060382 and TS-060612
Company Name: Lake Chelan Recreation, Inc.

Staff: Nicki Johnson, Regulatory Analyst

Recommendation

Allow the revised rates filed by Lake Chelan Recreation, Inc., in Docket TS-060382 to become effective April 27, 2006.

Take no action on the less-than-statutory-notice request in Docket TS-060612 for a fuel surcharge.

Discussion

On March 10, 2006, Lake Chelan Recreation, Inc., (LCR or company) filed for a general rate increase of \$150,768 to become effective April 15, 2005. At the April 12, 2006, open meeting, the company's proposed increase of a \$3.00 increase in one-way fares and a \$6.00 increase in round trip fares for passengers regardless of the length of the boat ride or which boat a passenger rode was questioned. The commission asked the company to evaluate its current fares and explore different methods of applying the rate increase, such as a percentage increase in fares. A customer of LCR also spoke regarding the current and proposed cost of traveling between Lucerne and Stehekin. The company agreed to extend the effective date of the filing to April 27, 2006, in order to examine the proposed rate design.

On April 21, 2006, in Docket TS-060612, the company filed for a fuel surcharge with an effective date of April 27, 2006. The company is concerned that if its rate increase is not approved, it definitely needs a fuel surcharge. LCR does not want both a rate increase and a fuel surcharge. If the revised rates are allowed to become effective on April 27, 2006, LCR desires that no action be taken on its less than statutory notice request in Docket TS-060612.

The company and the staff have worked together on revised rates that address the concerns of the commission and its customers and still meet the revenue needs of the company. Company passenger fares need to increase 14.67% to achieve a 93% operating ratio. However, applying this percent to the summer fares on the faster boats means that the proposed fares could have been higher than filed. The company wishes to forgo any lost revenue and increase these rates by the proposed \$3.00 one-way and \$6.00 roundtrip fares for the trip between Chelan/Field's Point to Stehekin. The increase between Chelan/Field's Point and Lucerne is revised to \$2.50 for a one-way ticket.

The revised fare from Chelan/Field's Point to Stehekin is also at the originally proposed fare of \$3.00 one-way and \$6.00 roundtrip. Chelan/Field's Point to Lucerne is revised to a \$2.50 one-way and a \$4.75 roundtrip increase. The mileage to Lucerne is 80 percent of the mileage to Stehekin, so the revised fare increase is about 80 percent.

To meet the concerns of the company's customers, the fare between Lucerne and Stehekin has been reduced to \$8.00 one-way and to \$12.00 roundtrip. Also under the revised rates, the company is not increasing the fares for some shorter trips. Revised rates generate about \$139,600 and result in a 93.88 percent operating ratio.

The current, proposed, and revised fares are provided below:

			<u>Current</u>	<u>Proposed</u>	<u>Revised</u>
<u>Year-round Service</u>					
<u>From:</u>	<u>To:</u>				
Lucerne	Stehekin	One Way	\$ 12.50	\$ 15.50	\$ 8.00
		Round Trip	20.00	26.00	12.00
Chelan/Field's Pt.	Lucerne	One Way	18.50	21.50	21.00
		Round Trip	29.00	35.00	33.75
Chelan/Field's Pt.	Stehekin	One Way	19.50	22.50	22.50
		Round Trip	32.00	38.00	38.00
<u>Lady Express Summer</u>					
Chelan/Field's Pt.	Lucerne	One Way	29.50	32.50	32.00
		Round Trip	N/A	N/A	N/A
Chelan/Field's Pt.	Stehekin	One Way	31.50	34.50	34.50
		Round Trip	51.00	57.00	57.00
<u>Lady Cat Summer</u>					
Chelan/Field's Pt.	Stehekin	One Way	60.00	63.00	63.00
		Round Trip	96.00	102.00	102.00

Conclusion

Staff recommends that the commission allow the revised rates filed by Lake Chelan Recreation, Inc., in Docket TS-060382 to become effective April 27, 2006. The staff also recommends the commission take no action on the less than statutory notice request in Docket TS-060612.

Attachments